

PHILIP MORRIS USA**INTER-OFFICE CORRESPONDENCE**

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TO: Distribution
FROM: Tom Garguilo
SUBJECT: Basic September Initiatives

DATE: August 24, 1993

The following represents a program that could potentially be implemented for the month of September. Your input would be appreciated.

Program Title

Your Basic Super Gratis

Program Objective

To help secure distribution in accounts that still do not carry Basic.

To reward/not penalize accounts that have been carrying Basic

Program Details

Your Basic Super Gratis would be an enhanced gratis program to encourage those accounts that still do not carry Basic to do so. Retail accounts would be eligible for 10% gratis on all Basic product purchased during the month of September. Unlike standard gratis, Basic Super Gratis would not be limited to an account's first purchase - it would cover all purchases made during the month. Basic Super Gratis would also not impose a ceiling on the amount of gratis that could be paid to one account (typically 2 cartons of gratis on a 20 carton sell-in). Payment would be made via flex check/invoicing beginning October 1, assuming the account has met the following requirements:

- the account has invoices for all Basic purchased during September
- the account has maintained Basic distribution for the entire month -
an account that does not maintain distribution for the entire month
will not be paid gratis for any product purchased during the month
- the account has adequately displayed/merchandised the brand for the
entire month

Given that this gratis program is decidedly more lucrative than the gratis program that Basic offered previously, we may be perceived as "penalizing" accounts that took Basic in early. To negate that possibility, and as a way of rewarding those accounts that have been carrying Basic all along, Basic Super Gratis can be paid to all accounts - not just those accepting new distribution.

As an added bonus, for retail accounts that are carrying 9 or more of the 11 packings in the Basic family, gratis will be paid at a rate of 20% for all Basic purchases made during the month of September. This feature is designed to encourage retailers to maintain a full product line-up from Basic, not just 4 or 5 of the bigger packings. All other requirements would remain the same.

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